

THE SHAPE OF THINGS TO COME: AUSTRALIA'S NEW DESIGNS LAW

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[63] A complete overhaul of Australia's 98 year old designs law was long overdue and at the end of 2003, the much awaited Design Bills were finally passed. Both the *Design Act 2003* and the *Designs (Consequential Amendment) Act 2003* were given Royal Assent on 17 December 2003 and will commence on 17 June 2004.

Introduction

Design law protects the visual appearance of products, that is, the features of shape, configuration, pattern or ornamentation which, when applied to a product, gives it an unique and distinctive appearance. Design law does not protect how the product works or interacts with others products. Examples of Australian registered designs include speedos, bean bags, bottle openers, cigarette dispensing machines, pens and mobile phones.

The main object of the *Designs Act 1906* is to protect the visual form of mass produced products with exclusive monopoly rights for a limited term. Designs law recognises the commercial value of product design that entices customers to choose one company's products over its competitors' products.

The Need for Reform

The *Designs Act 1906* is Australia oldest intellectual property law and although it has been updated throughout its life, it is viewed by many to be ineffective and of little use to designers. Between 1993 and 1995, the Australian Law Review Commission ('ALRC') carried out a major review of Australia's designs law. In 1995, ALRC released its report that ultimately found that the design law was of little value to and little used by design owners or investors.

Its most scathing criticisms included:

- the law does not prevent free riders from copying the substance or functions of registered designs;

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- [64] the courts have given too narrow an interpretation as what is protected;
- the registration process is too slow and expensive, particularly when one considers the limited likelihood of success in litigation;
- the scope of design registration protection is unclear and uncertain.

The ALRC made the following recommendations:

- a simpler definition of 'design';
- a stricter threshold test for eligibility for design registration;
- a new examination process;
- shorter term of protection; and
- retention of the spare parts exception subject to referrals for potentially anti competitive spare parts designs to the Trade Practices Commission.

The Federal Government accepted the majority of the ALRC recommendations in its report² and finally on 11 December 2002 introduced the *Designs Bill 2002* (based on the Exposure Draft Designs Bill released to the public for comment in May 2001). The *Designs Act 2003* enacts most of the *Designs Bill 2002* provisions.

Designs Act 2003

The *Designs Act 2003* (the 2003 Act) aims to make Australia's design law more effective and simpler to use.

Key features of the 2003 Act are:

- a new simpler definition of design;
 - a simpler and streamlined registration process;
 - a stricter registration threshold of new and distinctive;
 - a new test of infringement;
 - expansion of prior art base ;
 - the infringement test broadened;
 - a lesser period of protection; and
 - the exclusion of spare parts from right of repair exemption.
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In essence, the 2003 Act makes design registration harder to obtain but infringements easier to prove.

Improved Definitions

Section 4(1) of the *Designs Act 1906* defines a ‘design’ as a shape, configuration, pattern or ornamentation applicable to an article. This causes uncertainty when determining whether a design has been applied to the surface of an article.

The new definitions of ‘design’, ‘visual features of a product’ and ‘product’ are central to the new scheme of protection. ‘Design’ will mean the overall appearance of a product resulting from or more visual features of a product (s 5). ‘Visual features of a product’ will include its shape, configuration, pattern and ornamentation, but not the feel or the material used in product (s 7).

A ‘product’ will be anything that is manufactured or handmade (s 6(1)).

[65] *Higher Threshold Test for Registrability*

Under the *Designs Act 1906*, a design had to be either ‘new’ or ‘original’. As stated above, this test has been criticised as being too low, making registration of a design too easy. The 2003 Act introduces a higher two step threshold test for a registrable design — the design must be ‘new and distinctive’ (s 15(2)). A new design will be one that is not identical to a design that forms part of the prior art base (s 6). A distinctive design will be one that is not substantially similar in overall impression to a design that forms part of the prior art base (s 16). The additional requirement for the design to be ‘distinctive’ will disqualify identical or almost identical designs from registration.

The 2003 Act sets out the following factors for consideration in determining ‘substantial similarity in overall impression’:

- comparison of the design to the prior art base;
- freedom of the creator of the design to innovate;

² Australian Law Reform Commission, *Designs*, Report No 74 (1995) was published in 1995: see <http://www.alrc.gov.au/inquiries/title/alrc74/response.htm>. The Federal government response was not released until 1999.

- any features of the products specified in the registration application as being new and distinctive (if none are specified then the product will be assessed in its entirety); and
- where only part of a design is similar to another design, particular regard must be given to that part of the product, in the context of the product as a whole (s 19).

In determining whether the design is substantially similar, the standard to be applied is that of the informed user, being a person who is familiar with the product to which the design relates (s 19(4)).³

Giving more weight to the similarities between the designs, not to the differences between them, should ensure that designs with immaterial or minor differences are unlikely to qualify for registration.

Expansion of Prior Art Base

The prior art base has been expanded to include design used previously or published in Australia or anywhere in the world (s 15).

Streamlined Registration Process

The most significant change in the 2003 Act is that designs will not be examined before registration. Instead, design applications will now only undergo a formalities check prior to being registered and published. An application for a design will only be examined in the first instance to check that it complies with the formal requirements (s 21(2)). This allows design owners to place their designs on the public record without having to complete the costly registration process (ss 21–56). The Registrar must notify the applicant if the design does not meet the requirements (s 24(2)).⁴

After the formalities check, the application will proceed to grant and then publication. Generally, design registration will be granted if the forms are correctly completed and

³ Compare with s 4(1) of *Designs Act 1906*, which provides a design is to 'be judged by the eye'.

⁴ See also *Designs Act 2003* (Cth) s 41: if the Registrar is not satisfied with the design application, he or she must give the applicant the opportunity to correct it.

the fees paid. Examination of the design will occur on the request of any person, on the order of a court (s 63(1)) or at the Registrar's own initiative (s 63(2)).

Where the Registrar examines a design post grant, the Registrar must determine with the design is 'new and distinctive'. If the Registrar finds there are grounds for revocation, then he or she is required to provide the design owner with written [66] notice to that effect (s 68(2)). The design owner may request an amendment to remove the problem with registration (s 66(3)). If the registration cannot be rectified by amendment, the Registrar will notify the parties that the registration of the design will be revoked and amend to the register to that effect (s 68).

If the Registrar decides there are no grounds for revocation, a certification of examination will be issued to the registered design owner (s 67) which validates the registration.

The down side of the new registration process is that the rights of the design owner are limited on registration. The design owner cannot commence design infringement proceedings until the design has gone through the examination process and has been issued with a certificate of examination (s 73(3)). Design owners need to be careful to avoid making unjustified threats of action if making claims against third parties where a certificate of registration has yet to be issued (s 77). Notifying someone of the existence of registration (where a certificate of registration is granted) will not constitute an unjustified threat (s 80).

It is hoped that the new registration process will fast-track the grant of registration to designs and limit the full examination of designs to those subject to litigation.

Term of protection

The *Designs Act 1906* provides that the maximum available term of protection is 16 years. The 2003 Act reduces the maximum term of protection to 10 years, bringing Australia into compliance with its minimum obligations under the TRIPS agreement.⁵

⁵ Article 25 of Agreement on Trade Related Aspects of Intellectual Property Rights 1995 (TRIPs).

The initial term of protection is five years (s 46) with a further term of renewal of five years (s 47).

Infringement

Under the current Act, infringement occurs where a person applies a design or any obvious or fraudulent imitation to any article in respect of which the design is registered (s 30(1)). Australian case law interprets the term 'fraudulent or obvious imitation' to mean virtually identical copies. This means, under the current law, a competitor just needed to make minimal changes to a design to make it appear visually different in order to avoid infringement. The competitor can copy the functional aspects of a registered design as long as they did not copy the visual appearance of the design.

The test of 'fraudulent or obvious imitation' will be replaced by a new 'substantial similarity' test. Under the 2003 Act, a design is infringed if a person:

- creates a product that embodies a design that is substantially similar in overall impression to a registered design;
- imports such a product into Australia for trade or business;
- sells, hires or otherwise disposes of such a product;
- uses such a product for trade or business; or
- keeps such a product (s 71(3)).

In determining whether a design is 'substantially similar', the court must look at the factors set out in s 19.

Remedies

A court⁶ may grant the following remedies: an injunction, either damages or an account of profits (s 75(1)). With regard to a court's discretion in awarding remedies, a more stringent test is set out for primary infringement (making or offering to make an infringing product) than for secondary infringement (all other infringing acts — see s 75(2)).

⁶ See *Designs Act 2003* (Cth) ss 82–89, which set jurisdiction and powers of the prescribed courts.

[67] *Spare Parts Exemption*

The 2003 Act will grant a right of repair to designs for spare parts (s 72). This is an absolute defence to a claim of infringement for the use of a design for repair purposes. Repair includes 'restoring or replacing a decayed or damaged component part of a complex product to good or sound condition, or carrying out maintenance on a complex product'. Upgrading or enhancing the look of a product by adding accessories to it will not be a 'repair'.

It is important to note that a design owner bears the onus of proving the use of the design is for repair purposes (s 72(2), (4)). This is meant to act as a disincentive against new participants entering the market, making suppliers and manufacturers check their inventories before using the right of repair defence.

Design and Copyright Overlap Provisions.

Design and copyright have a territorial relationship as both regimes can protect the same subject matter. Drawings and three dimensional prototypes of articles may be artistic works for the purposes of the *Copyright Act 1968* but can also be designs under the *Designs Act 1906*. As the term of copyright protection is greater (lifetime of the author plus 50 years), if there was no legislation limiting copyright protection of registered designs, designers would rely on the longer period of protection, thus inhibiting design and product innovations. In Australia, design registration is viewed as the more appropriate form of protection for the shape and appearance of functional articles. Specific provision in the *Copyright Act 1968* limit the scope of dual protection and remove copyright protection for certain 'artistic works' which have been industrially applied.

Sections 74–77 of the *Copyright Act 1968* provide that:

- two dimensional articles when applied as surface designs to articles are protected as artistic works under the *Copyright Act* — if the design is also registered, then dual protection is given;
- copyright in two dimensional works is infringed where a two dimensional copy of the work is made in the course of industrial application;
- works of artistic craftsmanship, buildings or models of buildings retain copyright protection; and

- apart from the above excluded works, in all other instances, artistic works will lose copyright protection once industrially applied or the artistic work is registered as design under the *Design Act 1906* (s 77).

It is important to note that where an artistic work has been industrially applied, copyright protection is not available, even if the artistic work is not registered as a design. An example of this arises where a designer has made a prototype designer chair based on his drawings and intends to manufacture and sell the chair. Once the chair is out in the market, it cannot be considered new and therefore will be ineligible to be registered as a design. The design cannot claim protection under either regimes. Registration must occur before the chair is in the market.

Amendments to the Copyright Act 1968

The *Designs (Consequential Amendments) Act 2003* intends to give greater clarity to the overlap provisions and rectify some of the anomalies in the *Copyright Act*. The key amendments to the *Copyright Act* are:

- [68] amending the definition of 'corresponding design';
- clarification of the meaning of 'artistic craftsmanship' and 'industrial application';
- certain acts do not infringe copyright where they relate to the sale of non infringing products;
- provide that the exemption for buildings or models of buildings under s 77 of the *Copyright Act* does not extend to portable buildings;
- publication in a patent specifications or a representation in a design application relating to a corresponding design is deemed to be an industrial application of that design.

Corresponding Design

The current definition of 'corresponding design'⁷ causes some problems. The word 'design' was construed by the courts to mean a registrable design under the *Designs*

⁷ *Copyright Act* s 74: corresponding design, in relation to an artistic work, means a design when applied to an article, results in the reproduction of that work, but does not include a design consisting solely of features of two-dimensional pattern or ornament applicable to a surface of an article.

Act 1906, therefore non registrable designs of three dimensional articles (such as pump parts) are entitled to copyright protection.

‘Corresponding designs’ will now be defined to mean visual features of shape or configuration which, when embodied in a product, results in a reproduction of that work, whether or not the visual features constitute a design that is capable of being registered under the *Designs Act 2003*.⁸ The term embodied in a product means ‘being woven into, impressed on or worked into a product’.⁹ The new definition makes it clear that a ‘corresponding design’ includes designs that are not registrable under the 2003 Act.

Artistic Works and Portable Buildings

The definition of artistic work under s 10(1) of the *Copyright Act 1968* has been amended to include both a work of artistic craftsmanship and artistic work, thus clarifying the meaning of ‘corresponding design’ for the purposes of s 77.¹⁰

Buildings and models of buildings continue to be protected by copyright, even where applied industrially. However portable structures or buildings registrable under the *Designs Act 2003* will not receive copyright protection (for example portaloos, tents or swimming pools)¹¹ and must rely on design law protection.

Insubstantial Reproduction

Reproduction of a two dimensional artistic work in the course of or incidental to the making of non infringing products will be deemed not to infringe copyright.¹² For example, drawings or plans made in the course of manufacturing non infringing three dimensional products will not infringe the copyright in the original drawings or plans.

Clarification of Meaning of ‘Industrially Applied’

⁸ *Designs (Consequential Amendment) Act 2003* (Cth) Sch 1, amends *Copyright Act* s 74.

⁹ *Designs (Consequential Amendment) Act 2003* (Cth) Sch 1, Item 3, inserts a new s 74(2) into the *Copyright Act*.

¹⁰ *Designs (Consequential Amendment) Act 2003* (Cth) Sch 1, Item 1.

¹¹ *Designs (Consequential Amendment) Act 2003* (Cth) Sch 1, Item 13, inserts a new s 77(5) into the *Copyright Act*.

¹² *Designs (Consequential Amendment) Act 2003* (Cth) Sch 1, Item 14, inserts a new s 77A into the *Copyright Act*.

Under the *Copyright Act*, a design, even if unregistered, loses its copyright protection once it is 'industrially applied'¹³ and the resulting articles have been commercially exploited. Industrially applied means that more than 50 articles have been made or sold or if the article is produced in lengths or [69] pieces.¹⁴ Sometimes the courts have applied this literally.¹⁵ Usually the courts will determine this issue on its facts.

The new s 77(1A) specifically includes patent specification or a representation relating to a corresponding design is an industrial application. This deals with the issue of copyright protection in drawings or representations in patent and design applications. The making of a three dimensional object illustrated in a published patent or design will be permitted, without infringing copyright.¹⁶

Conclusion

A good design is one that draws consumers' attention to the product. This is why designers and manufacturers spare no expense in developing marketable and aesthetic designs for products. Accordingly these design innovators should be able to protect their investment and prevent others from producing substantially similar looking products. These reforms are a vast improvement on the *Designs Act 1906*. It will give design owners more certainty in enforcing their rights against free riders and should go a long way to encourage Australian designer and manufacturers to register designs.

¹³ *Copyright Act 1968* (Cth) s 77(1)(b), 77(1)(c).

¹⁴ *Copyright Regulations 1969* (Cth) reg 17.

¹⁵ In *Coonan & Denlay Pty Ltd v Superstar (Australia) Pty Ltd* (1981) 37 ALR 155, the Federal Court counted the number of articles.

¹⁶ *Designs (Consequential Amendment) Act 2003* (Cth) Sch 1, Item 8, amending s 77 of the *Copyright Act*.